

## A STUDY ON WORKING ENVIRONMENT INFLUENCING EMPLOYEE RETENTION OF INDIAN IT PROFESSIONALS

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### **ABSTRACT**

In today's competitive scenario, as the awareness and technology play a vital role in developing the competition more essential and intense. Retention becomes one of the biggest issues for the IT industry of India because people are the one who generates profits and considered as the capital or asset of the organization. Employee retention is most decisive concern facing business leaders as a result of the shortage of skilled labour, economic growth and employee turnover. Retention is defined as "the ability to hold onto those employees you want to keep, for longer than your competitors"

In modern times, employee's retention has become one of the leading challenges for organization. Given today's weak company loyalty, employees are increasingly "jumping ship" for better job opportunities elsewhere. The issue isn't simply losing a key member of your team; there is also the hassle-and cost-of replacement. It is obvious that employee's retention is one of the most pressing issues that Human Resource Professionals face today. This research paper aims to examine the impact of working environment on employee retention in IT sector.

Keywords: Working environment, employee retention, economic growth, challenges

### **INTRODUCTION**

Among the many reasons organization care about retention, retention are the direct and indirect costs linked to the loss of talented employees. In a number of studies human resources managers have estimated the cost of turnover to vary between 50% and 500% of the departing employee's annual salary, depending on job level, industry and geography potentially one of the largest costs of turnover, and perhaps the most over looked, is the lost future potential of the brightest and best who often are the ones to leave. Another, more insidious costs of turnover involves the sharing of a company's method, technology and clients with competitors

who may have hired the employees away. As a company's success becomes increasingly dependent on the knowledge skills, abilities, and relationships of its employees. The financial impact of losing talented employees will continue to rise.

Accelerating product, technological changes and global competition and demographic changes faced by the organizations today constantly wrestle with revolutionary trends. It has been observed that employee turnover, especially amongst service based organizations, is becoming a problem which costs a lot of money, efforts and energy. This problem might be a major impediment for HR professionals in formulation of their HR policies and strategies. Strategic staffing has become a concern for many organizations because of the ability to hold on to a highly talented core employee can be crucial for future endurance. Society has now become knowledge intensive based where clearly human capital is measured as a means of inputs and requisite to the continued existence of the organizations. Now day's companies recognize that an important element in business management practices is the need to successfully motivate and retain high talent employees. If an employer gone an employee with a great experience, it would take lots of time and money to retain a new employee for optimum productivity.

Knowledge is an indefinable that is relied up profoundly every worker possesses a certain amount of industry, company and position specific experiences. There are various reasons for leaving the organization including meagre supervision, lack of challenging position, limited progression of opportunities, lack of recognition, limited control over work, perceived pay in equity and discernment of more favourable opportunities in other companies. High employee attrition is one of the utmost reasons of deteriorating productivity and reduced self-esteem in business. While morale decreases, recruiting and training cost increases and an organization can find itself in a ferocious rotation. In this study the researcher has identified working environment as the essential factor to retain the employees in the service organization. This study aims at developing insight on how employee retention is relevant in present business context. Retention is more important than hiring.

Today the demands of workforce have been increased very much as ever before. It is in terms of every aspect, not only remuneration and incentives but also work environment and enriching cultural context in which it occur. To attract and retain valuable employees is a critical asset for prolific, flexible and dynamic work environment. It is vital to realize the varying needs and expectation in order to develop an effective retention plan for today's employment market. If the retention strategies are not properly entrenched in the business processes, the all effort since recruitment will ultimately proves fruitless (Earle, 2003).

Together, effective recruitment and retention efforts attract individuals to the organisation and also increase the chance of retaining the employees once they are recruited. Employee retention strategies refer to strategies and practices that an organization implements to satisfy the varied needs of employees and create an environment that encourages them to stay with the organization.

### **EMPLOYEE RETENTION STRATEGIES IN THE SERVICE INDUSTRY**

The part of the economy that produce services rather than goods. The service sector includes IT, education, finance, communications, health care, utilities, wholesale and retail trade, and transportation. Employee turnover is a common and continuous problem in service sector because it is more challenging than manufacturing units. Employee retention Strategies are very important for the growth of service industry. Different generations are currently in the workplace with their differences overstated as a result of the current disjointed global and highly technological world. The changes in the workplace, in society, and in organisations over the years have been gigantic these changes, according to Fields (2001) have, to a great extent, caused the rules of the workplace to change. Today's workforce is a blend of up to four generations which can be both challenging and rewarding for employers, requiring specific management strategies. In the workforce, more than ever before, there is an intergenerational blend of employees – Veterans, Baby Boomers, Generation X and Generation Y (Harrison, 2010).

### **UNDERSTANDING THE REASONS FOR EMPLOYEE TURNOVER**

Sometimes organisations are encountered with inescapable turnover due to employees retire or move for non-job-related reasons. Schuler and Jackson (2006) argue that due to the upcoming retirement of Baby Boomers turnover is expected to have major implications for future hiring activities. Research suggests that high turnover can actually harm the organisation's performance but little turnover of employees is encouraged by the employers to maintain the balance between two generations gap. The objective may be to help unproductive employees or to shrink the size of the workforce to realise that they may be better off searching alternative employment. But the organizations should prepare strategies to check the high attrition rate and implement the factors which are essential in retaining the employees. There is a need of experience workforce in today's competitive scenario. Employers should counsel the employees and explore the reasons for leaving the organization. Those reasons which are justified, these should be rectified immediately for the

growth and development of business.

### **WORKING CLIMATE**

Since for the retention of talented employees, learning and development opportunities appear vital (Arnold, 2005; Hytter, 2007; Walker, 2001), an organization must ascertain a compassionate learning and working climate. In general term the concept 'learning and working climate' refers to the environment wherein employees both learn and work for the betterment of the organizations. More particularly, the notion could be expressed by referring to: direction and admiration at work; strain of work; the amount of empowerment and the responsibility that employees experience; choice in job responsibilities and development; stipulation of challenging and meaningful work; and advancement and development opportunities and the facilities . Results from previous researches show that the indebted approach, operationalised through an appreciative learning and working environment, positively influences employee retention.

The importance of satisfactory psychosocial work environment for individual health and as well as organizational health have been reported on in several studies and in different policy documents during recent decades. The healthy work conditions were accentuated and it was established that the work should be organized in a safe way, both physically and mentally, making employees' well-being and professional development possible and preventing ill health. The purpose of the concept is improvement of the work organization on a local level at every workplace. The employer has to facilitate employee participation and influence at work for increased work satisfaction and well-being.

### **HRD CLIMATE**

A healthy organizational climate is requisite for utilizing and encouraging employee skills, capabilities and competencies so that they can motivate for excellence in their performance. HRD also aims at climate development. A healthy climate is one where:

1. The free expression of ideas, opinions and suggestions (openness) is encouraged.
2. There is promotion of collaboration among the functions of units.
3. People say what they mean, so what they say, and where people can be trusted.
4. Initiate pro-activity and creativity.
5. Problems are diagnosed, confronted and solved collectively or individually.
6. Every senior sees developing subordinates as his responsibility.
7. Seniors support their subordinates and juniors respect their seniors.

8. Problems, mistakes and difficult situations are handled with a learning orientation.
9. Participation is encouraged.
10. Every incident is treated as a learning opportunity.
11. People have a sense of satisfaction in their work.
12. People feel that they are cared for and have a sense of belonging.

## REVIEW OF LITERATURE

**Newman, D. A (2014).** A Network Model of Organizational Climate: Friendship Clusters, Subgroup Agreement, and Climate Schemas” in ‘The People Make the Place’: Dynamic Linkages between Individuals and Organizations. This study has expressed about the issues of organizational assortment and ambience is of major apprehension to many organizations, a fact revealed in the wide-ranging literature about both. Results also designate that disagreement that exists within an organization has a direct unconstructive impact on customers.

**Harish B. Bapat, Vishal Soni, Vinayak Khare (2014)** A Study of organizational dynamics through OCTAPACE culture in IT companies. In this study the researcher has mentioned that individuals have vast potential for development in an organization and it can be further sharpened and multiplied through suitable and logical efforts. The present study reveals that through creating an OCTAPACE culture, any organization can retain employees for the betterment of the IT industry.

**Ali Abbaas Albdour and Ikhlas. Altarawneh (2014),** The purpose of this study is to investigate the relationship between the two variables of employee engagement (job engagement and organizational engagement) and organizational commitment is measured by three key dimensions which are: affective (emotional) commitment; persistence (maintenance) commitment; and normative commitment, in the banking sector of Jordan. The findings show that frontline employees who have high job engagement and organizational engagement will have high level of affective commitment and normative commitment. Explicitly, this study bridges the gap in the literature of employees' engagement and commitment and their impact on organizational overall performance.

**P. Sivapragasam and R.P.Raya (2013)** Knowledge Based Sector Employees. This research is conducted to verify the factors of organizational health among knowledge professionals in the hope that a more analytical approach would proffer insights into how to construct them. The results suggest that managerial efficiency, HRM practices, employee citizenship, team work orientation and value-based management are critical; otherwise the goal of sustained performance will remain elusive.

### **OBJECTIVE OF THE STUDY**

The objective of this study is to examine the impact of working environment on employee retention.

### **RESEARCH METHODOLOGY**

The study is primarily a descriptive and analytical. The study is undertaken on the study of employees of Indian IT sector in Indore region.

#### **Sample Size:**

Total 500 employees were selected those covered under the IT companies in Indore Area.

#### **Source of Data:**

Primary data are collected from the sample of employees who are working in IT companies in Indore through questionnaire. Secondary data are collected from National & International Journals, collecting information from websites, consulting with expert and officials of IT companies.

#### **Analysis of Data:**

The study depends mainly on the primary data collected through a well-framed and structured questionnaire to elicit the well-considered opinions of the respondents. Close-ended questions were asked to analysis the pre-determined objectives. The collected data has been analyzed with the help of five point scale from strongly agreed to strongly disagreed and hypothesis is tested by applying a correlation and regression.

### **RESULT OF HYPOTHESIS**

**H<sub>01</sub>:** Good Working Environment has no positive significant impact on Employee Retention.

**H<sub>11</sub>:** Good Working Environment has positive significant impact on Employee Retention.

**TABLE 1. DESCRIPTIVE STATISTICS ON GOOD WORKING ENVIRONMENT & EMPLOYEE RETENTION**

	Mean	Std. Deviation	N
Employee Retention	6.7020	1.15926	500
Good Working Environment	9.1240	1.96376	500

**TABLE 2. CORRELATIONS ON GOOD WORKING ENVIRONMENT & EMPLOYEE RETENTION**

		Employee Retention	Working Environment
Pearson Correlation	Employee Retention	1.000	.539
	Working Environment	.539	1.000
Sig. (1-tailed)	Employee Retention	.	.000
	Working Environment	.000	.
N	Employee Retention	500	500
	Working Environment	500	500

Above table shows the correlations and it is evident from this table that Pearson's correlation coefficient between employee retention and Working Environment is 0.539 which is significant since the significant value (p-value) 0.000 is less than 0.05. Therefore, we may conclude that there is significant association between good working environment and employee retention. Furthermore, since the value of correlation coefficient  $r$  suggests a strong positive correlation, we can use a regression analysis to Model the relationship between the variables.

**TABLE 3. MODEL SUMMARY<sup>B</sup> ON GOOD WORKING ENVIRONMENT & EMPLOYEE RETENTION**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.539 <sup>a</sup>	.290	.289	1.12680	.289	30.164	1	498	.000

a. Predictors: (Constant), Working Environment

b. Dependent Variable: Employee retention

**TABLE 4. ANOVA<sup>A</sup> ON GOOD WORKING ENVIRONMENT & EMPLOYEE RETENTION**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.299	1	38.299	30.164	.000 <sup>b</sup>
	Residual	632.299	498	1.270		
	Total	670.598	499			

a. Dependent Variable: Employee retention

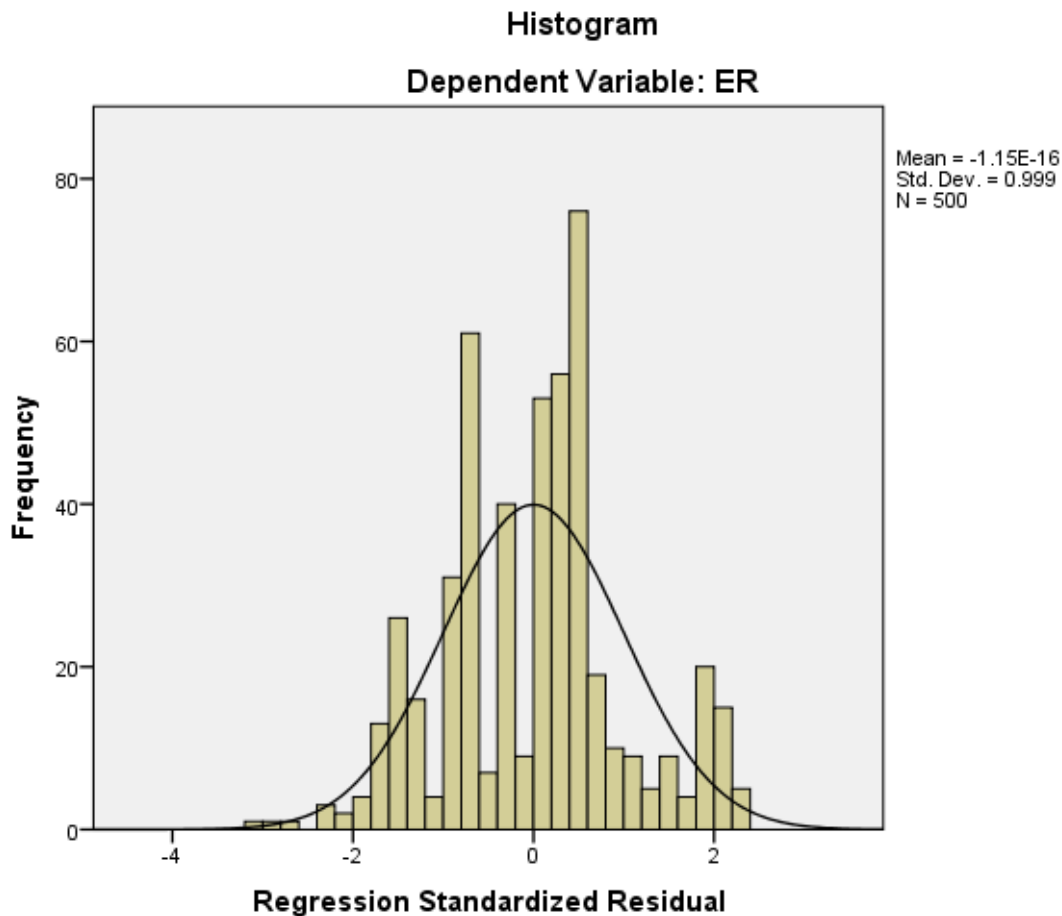
b. Predictors: (Constant), Working Environment

**TABLE 5. COEFFICIENTS<sup>A</sup> ON GOOD WORKING ENVIRONMENT & EMPLOYEE RETENTION**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.415	.240		22.588	.000
	Working Environment	.541	.026	.539	5.492	.000

a. Dependent Variable: Employee retention





**FIGURE 1: HISTOGRAM ON GOOD WORKING ENVIRONMENT & EMPLOYEE RETENTION**

Over all model summary shows the value of linear correlation coefficient  $R=0.539$ , it is the linear correlation coefficient between observed and model predicted values of the dependent variable, Its large value indicates a strong relationship.  $R^2$ , the coefficient of determination is the squared value of the multiple correlation coefficients. Adjusted  $R^2=0.289$ ,  $R^2$  change is also 0.290 and these values are significant which shows that overall strength of association is moderately noteworthy. The coefficient of determination  $R^2$  is 0.290; therefore, 29% of the variation in employee retention is explained by good working environment.

ANOVA is used to exhibit model's ability to explain any variation in the dependent variable. ANOVA table exhibits that the hypothesis that all model coefficients are 0 is rejected at 1% as well as 5% level of significance which means that the model coefficients differ significantly from zero. In other words we can say that there exists enough evidence to

conclude that slope of population regression line is not zero and hence, good working environment is useful as predictor of employee retention.

From the table of coefficients, the regression equation can be obtained as

$$\text{Employee Retention} = 5.415 + .541 * \text{Good Working Environment}$$

The normal probability plot is obtained to test the assumption about the normality of residuals and it appears that the residuals are approximately normally distributed. Thus the assumptions for regression analysis appear to be met.

## FINDINGS AND DISCUSSIONS

Findings revealed a result in the expected direction for the hypothesis has proven that: *Good Working Environment has no positive significant impact on Employee Retention* is rejected and the alternate hypothesis that *Good Working Environment has positive significant impact on Employee Retention* is accepted at 5% level of significance. To test the hypothesis correlation and regression were applied and it is concluded that good working environment has positive relationship with employee retention. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.539, Coefficient of Determination, R<sup>2</sup>-.290, F-Test Value- 30.164 at P-value-.000 and lastly tolerance level is determined through Coefficient of independent variable, Beta-.541. The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted.

The value of T-test is 5.492 {Refer Table No. 5.} is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .290 and 29% change is explained in the variable of employee retention by good working environment {Refer Table No. 3. }. The estimated regression model of data shows that there is a (moderate effect) positive relation between employee retention and good working environment also tells us that a change in good working environment (a strategy of retention) will enhance up to .541 employee retention. The F-calculated value is 30.164, so, the overall model is significant under the condition that F-calculated > F- tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level.

The study also found that if employee joins the organization he finds that the culture, norms and working environment is up-to their expectations or not. Irrespective of tenure of services every employees consider the organizational culture for their survival in the organizations. It is evident from the present findings that a good working environment provides a basis for the retention and a favourable work value system to the organizational members. The favourable attitude and positive feelings are developed by the assumptions, that evolved over a period of time by their work life and these assumptions turn to become strong beliefs widely held by the organization. The implied meaning of this finding is that healthy work environment develops favourable and unfavourable attitude among members in the organization over a period of time.

## **CONCLUSION**

This study indicates that over a period of time increased utilization of information, communication technology, changing structure of the workforce and increasing flexibility of work are also adding to the mental work. These practices are in relation to ethos is embraced by most members of the organization & thereby developed a unique corporate folklore for a strong work culture. Working environment plays an important role in employee retention. Good working environment develops a long term relationship between an employee and organisation. The implied meaning is that the mission, philosophy, goals, objectives, technology, managerial practices, facilities, relationship to employees etc., are conducive to contribute excellence at work. The work is intrinsically valued and central to employees' life space. While those other Industries where culture has low trust, unhealthy working environment, miscommunication and low teamwork, all these led to the low commitment so it shows that the practices and policies are non-conducive to contribute performance excellence and business surplus to organization and also in those organizations employee turnover accelerate at increasing rate.

## **SUGGESTIONS**

The study suggests that the effect of work environment on employees is very much. It leads to feel employees happy and keep active to perform various job tasks. It is important to note that organizations exist in environments, in which they have been operated. Work environment influences especially when one considers employee retention. Good environment has a positive significant impact on Employee Retention. A good working environment can create by TQM.

After undergoing the above mentioned literature the study suggests the plans of action for the total quality management for the excellence of employees. Service organizations must think of retaining employees and should come up with the strategies in order to manage talents for TQM at a global level. Varied kinds of incentives must be given to the employees so to stimulate and motivate them for excel in their performance.

- Fair and unbiased performance appraisal to be implemented
- Provide good working conditions
- Give more responsibility and autonomy
- Making provisions uniformly
- Stress on Accountability
- Give freedom to take best out of them
- Training & Development programs to be initiated.
- Encouragement and reward for their outstanding performance
- Encourage sabbatical leaves

There are some retention practices, focus areas and strategies that is recommended to decrease employee turnover, and to keep employees loyal and achieving optimum performance from them.

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